SECTION II - READINESS

Our battle force ships, aviation units and Marine forces provide the foundation for the DoD goal to shape the international environment and respond to the full spectrum of crises. Our budget provides for operational levels which will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. This includes participation in international military exercises designed to foster a spirit of mutual cooperation and enhance multinational security agreements.

The role of the Navy and Marine Corps on the world stage is evident throughout our budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Navy requirements are often met through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs. Joint/ international exercises planned for FY 2000 include: Atlantic Resolve; Blue Advance; UNITAS; Native Fury; and Cobra Gold.

Shape the international environment ...

Operational activities include drug interdiction operations, joint maneuvers and multi-national training exercises, humanitarian assistance (including medical, salvage, and search and rescue) and when called upon, contingency operations such as the Arabian Gulf

Chart 3 - Naval Forces Today

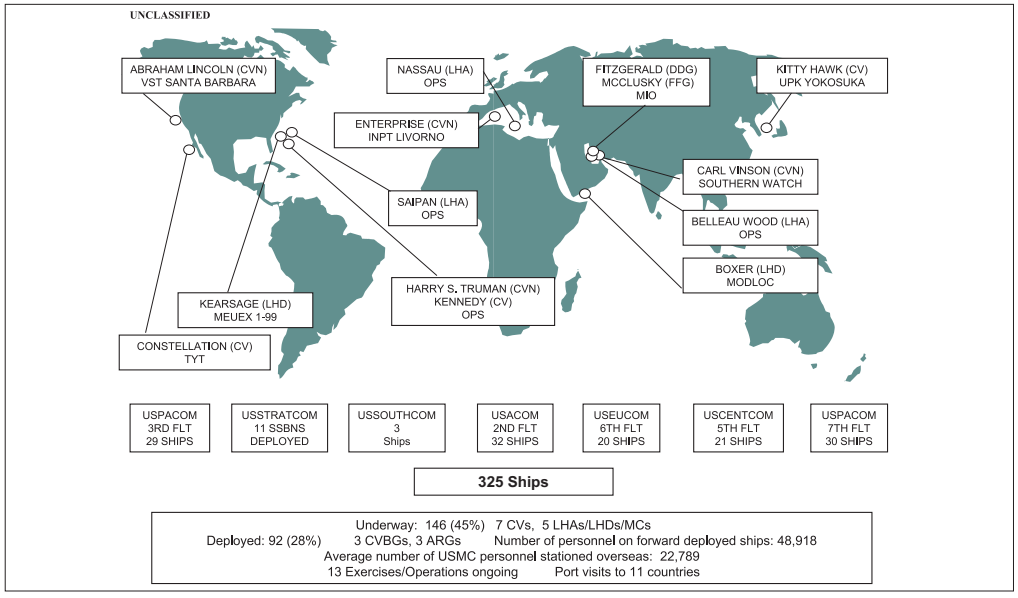


Chart 3 - Reflects Department's forward presence as of 28 January 1999.

and Bosnia. On any given day, nearly 50,000 Sailors and Marines on over 100 ships are deployed to locations around the world.

Naval Overseas Presence
(Percentage of time regions are covered by an aircraft carrier battle group)

	FY 1998	FY 1999	FY 2000
Pacific	*67%*	*100%*	*100%*
Europe	*40%*	*75%*	*75%*
Southwest Asia	*82%*	*75%*	*75%*

Marine Corps Overseas Presence
(Percentage of time regions are covered by an a Marine expeditionary unit/ amphibious ready group)

	FY 1998	FY 1999	FY 2000
Pacific	*100%*	*100%*	*100%*
Europe	*82%*	*80%*	*80%*
Southwest Asia	*50%*	*50%*	*50%*

SHIP OPERATIONS

Battle Force Ships

The budget provides for a deployable Battle Force (including Reserves) of 315 ships by the end of FY 1999 (down from 333 in FY 1998) and 314 ships by the end of FY 2000. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.

The FY 1999 inactivation of 25 ships is partially offset by the activation of 1 Military Sealift Command operated fleet oiler and the commissioning of six new construction ships, including four Arleigh Burke class guided missile destroyers, one oceanographic survey ship, and one Seawolf class nuclear attack submarine. In FY 2000, two Arleigh Burke class guided missile destroyers will be commissioned and three ships (two frigates and an attack submarine) will be inactivated. These force structure changes are designed to achieve the QDR levels of surface combatants (116) and attack submarines (50) by FY 2003. The Fleet Ballistic Missile submarine force reflects pre-START II approved levels.

.. appropriately sized forces

Table 1 summarizes Battle Force ship levels.

Table 1
Department of the Navy
Battle Force Ships

	FY 1998	FY 1999	FY 2000
Aircraft Carriers	*12*	*12*	*12*
Fleet Ballistic Missile Submarines	*18*	*18*	*18*
Surface Combatants	*117*	*116*	*116*
Nuclear Attack Submarines	*65*	*57*	*56*
Amphibious Warfare Ships	*40*	*39*	*39*
Combat Logistics Ships	*39*	*34*	*34*
Mine Warfare Ships	*16*	*16*	*16*
Support Ships	*26*	*23*	*23*
Battle Force Ships	***(333)***	***(315)***	***(314)***

OPTEMPO

For FY 2000, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy. The budget provides funds necessary to achieve the Department's operational tempo (OPTEMPO) goal of 50.5 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces. This will enable the Fleets to maintain one carrier battle group (CVBG) and one amphibious ready group (ARG) in European waters, one CVBG and one ARG in the Western Pacific and one CVBG and one ARG in either the Indian Ocean or the Arabian Gulf for portions of each year as required by national security policy. However, national security requirements have called on Naval forces to operate in excess of that target level in all but one year over the past two decades. That relevance and demand is expected to continue. Additional deployed underway days in FY 2000 in support of contingency operations for Bosnia and Southwest Asia are budgeted in the Overseas Contingency Operations Transfer Fund (OCOTF).

... appropriately positioned forces

Chart 4 - Active Force OPTEMPO

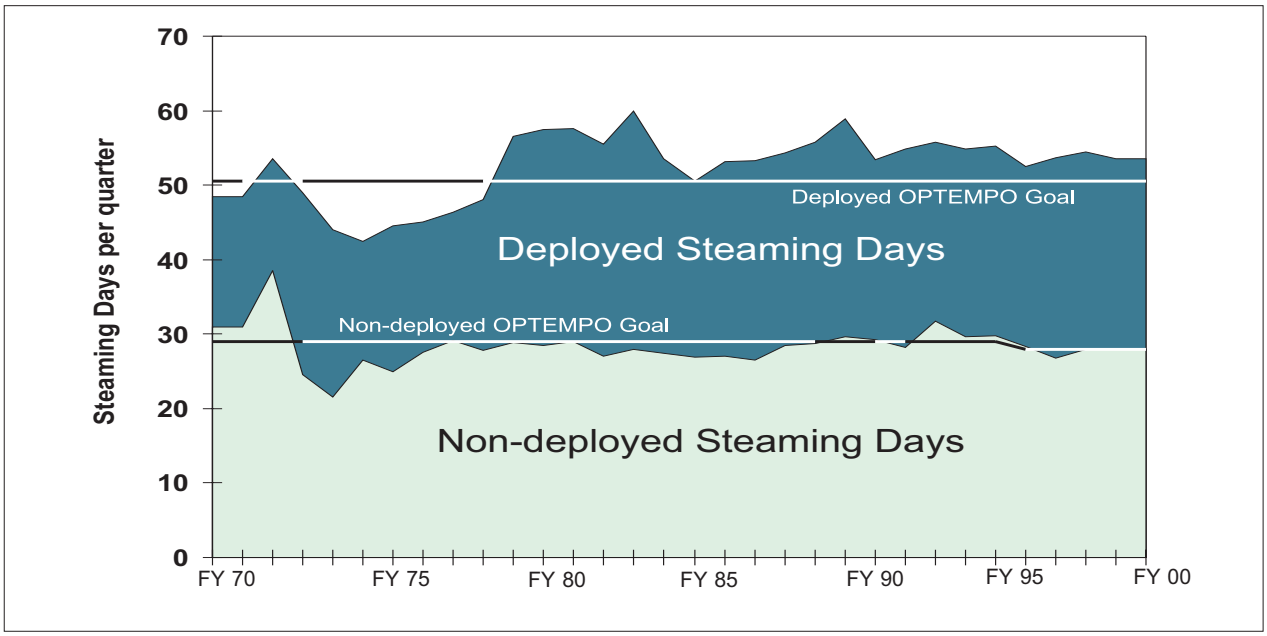
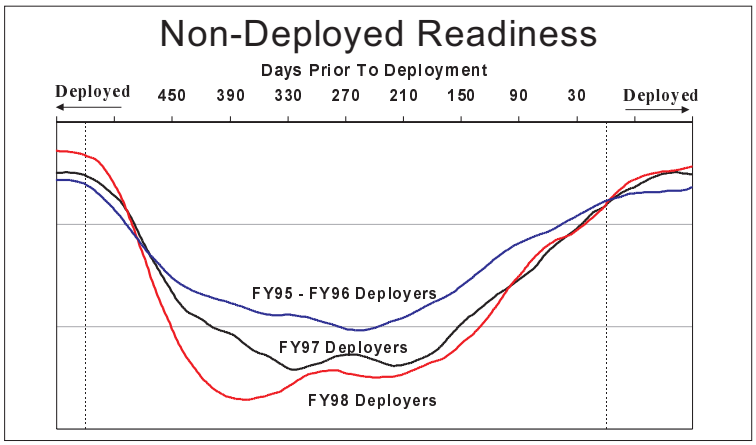


Chart 4 reflects ship OPTEMPO steaming days per quarter deployed and non-deployed. Also, displayed as horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations including contingency operations funded through the Overseas Contingency Operations Transfer Fund (OCOTF).

Non-deployed OPTEMPO provides primarily for the training of Fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training exercises. As indicated by the Non-Deployed Readiness chart below, a growing concern has been the worsening trend in the cyclical ebb of our inter-deployment training cycle (IDTC). FY 1997 and FY 1998 deployers were experiencing later recoveries in order to meet succeeding deployments. In FY 2000, we have addressed this concern by investing more in the operating accounts, enabling the Department to achieve readiness goals. The Navy has also implemented a reduction in the number of inspections and exercises to be performed by non-deployed ships at various stages of the IDTC. This will reduce workload for our sailors and allow more time off ship during non-deployed periods. Non-deployed Fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force. Chart 4 illustrates historical and budgeted OPTEMPO.



Reserve Battle Force Ships

The Naval Reserve Force will consist of 16 Battle Force ships in FY 2000 as two FFG's decommission. The Naval Reserve has transitioned from primarily a frigate force to multiple class ships. In FY 2000, the Naval Reserve will consist of eight frigates, 1 CV, 2 LSTs, 1 MCS, and 4 MCMs. The Naval Reserve Force continues to actively augment and support the active force while achieving personnel tempo goals. Due to scheduled operational requirements, the USS Inchon (MCS) and two MCMs are scheduled to deploy to the Mediterranean and Arabian Sea for five months during FY 1999, in support of Active forces and mine warfare exercises. In addition, the USS Kennedy will deploy in FY 2000 as part of a normal Active deployment to the Mediterranean and Arabian Sea. The Reserve CV and selected Mine Warfare ships are budgeted at an increased OPTEMPO in support these Active deployments. The Naval

routine presence of ready forces overseas

Reserve Force FFGs and LSTs are budgeted at 18 steaming days per quarter.

Table 2 reflects Reserve battle force ships and steaming days per quarter and, where appropriate, both non-deployed and deployed steaming days due to operational requirements.

Table 2
Department of the Navy
Significant Naval Reserve Force Factors

	FY 1998	FY 1999	FY 2000
Reserve Battle Force Ships	***(18)***	***(18)***	***(16)***
Reserve Operational Carrier	*1*	*1*	*1*
Surface Combatants	*10*	*10*	*8*
Amphibious Ships	*2*	*2*	*2*
Support/Mine Warfare	*5*	*5*	*5*
Steaming Days Per Quarter			
Reserve Operational Carrier	*33*	*33*	*1/ 55*
Mine Warfare (MCS/MCM)	*18*	*1/ 51*	*27*
FFGs/LSTs	*18*	*18*	*18*

1/ Higher OPTEMPO to reflect scheduled deployments.

Mobilization

Mobilization forces are maintained for rapid response to unforeseen contingencies throughout the world. The Mobility Requirements Study and the Mobility Requirements Study Bottom-Up Review Update recommended additional sealift capacity. Sealift assets include both prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5 below. Department of the Navy O&M appropriations reimburse the biennial exercise costs of the Hospital Ships (T-AH) and the Aviation Maintenance Ships (T-AVB), and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of the three MPS squadrons is equipped to support a Marine Air-Ground Task Force or Brigade equivalent for 30 days. An additional Maritime Prepositioned Force (Enhanced) (MPF(E)) Ship will be added in FY 1999. This MPF(E) ship will replace Hospital Shuttle Ship Motor Vessel *Green Ridge*. The second MPF(E) is scheduled to be added in FY 2000. NDSF assumed direct funding responsibility for the Reduced Operating Status of all surge ships in FY 1998, and funds all Ready Reserve Force ships maintained by the Maritime Administration (MARAD). A significant enhancement to the Surge Sealift fleet is planned for FY 2000 as four additional Large Medium-Speed Roll-On Roll-Off vessels will enter service, increasing the inventory to six of a total of 11 planned ships. Table 3 displays the composition of Navy Mobilization forces.

Table 3
Department of the Navy
Mobilization

Strategic Sealift (# of ships)	***FY 1998***	***FY 1999***	***FY 2000***
Prepositioning Ships:			
Maritime Prepo Ships (Navy O&M)	*13*	*13*	*13*
Maritime Prepo (Enhanced) (Navy O&M)	*0*	*1*	*2*
Hospital Shuttle/Prepo (Navy O&M)	*1*	*0*	*0*
CENTCOM Ammo Prepo (Navy O&M)	*0*	*1*	*1*
Army Prepo Ships (Army O&M)	*14*	*18*	*17*
Air Force Prepo Ships (Air Force O&M)	*3*	*3*	*3*
DLA Prepo Ships (DWCF)	*3*	*3*	*3*
Surge Ships*:*			
Aviation Logistics Support (NDSF)	*2*	*2*	*2*
Hospital Ships (NDSF)	*2*	*2*	*2*
Fast Sealift Ships (NDSF)	*8*	*8*	*8*
Ready Reserve Force Ships (NDSF)	*89*	*89*	*89*
Large Medium-Speed RORO Ships (NDSF)	*1*	*2*	*6*
Surge Sealift Capacity *(millions of square feet)*	***7.3***	***7.7***	***8.7***
Total Sealift Capacity *(millions of square feet)*	***10.1***	***11.5***	***12.6***

Ship Depot Maintenance

The increase in topline made available has enabled the Department to achieve the CNO goal of 94% of scheduled ship depot maintenance requirements in FY 2000 and through the Future Years Defense Plan for the active forces and 92% for reserve forces. This represents a significant improvement over recent levels. The FY 2000 increase in active forces ship depot maintenance also includes four additional submarine overhauls. Beginning in FY 1999, funding for the Pearl Harbor pilot project, which merges the Intermediate Maintenance Facility and Pearl Harbor Naval Shipyard into a regional maintenance center, is budgeted in the Depot Operations Support budget line. The efficiencies gained by combining these two maintenance activities will allow the Navy to accomplish more ship maintenance within existing resources. In addition, the Department is implementing an innovative program designed to reduce maintenance burdens on fleet personnel through the development of new technologies and processes to replace traditionally labor intensive workload and improve sailors quality of life aboard ship and at shore maintenance facilities. Table 4 displays active and reserve ship depot maintenance.

Table 4
Department of the Navy
Active Forces Ship Depot Maintenance

(Dollars in Millions)	***FY 1998***	***FY 1999***	***FY 2000***
Ship Depot Maintenance	*$2,031.0*	*$2,074.4*	*$2,365.1*
Depot Operations Support	*776.9*	*1,124.5*	*1,143.8*
Total: Ship Maintenance (O&MN)	***$2,807.9***	***$3,198.9***	***$3,508.9***
CVN Overhauls (SCN)	***$1,550.0***	***$274.0***	***$345.6***
No. of Ship Overhauls (Units)	*5*	*6*	*10*
Ship Overhaul Backlog (Units)	*-*	*-*	*-*
Estimated No. of RA/TA (Units)	*78*	*84*	*75*
Percentage of Requirement Funded	*-*	*92%*	*94%*

Reserve Depot Maintenance
(Dollars in Millions)

	FY 1998	***FY 1999***	***FY 2000***
Reserve Ship Depot Maintenance	*$63.6*	*$80.8*	*$95.7*
Percentage of Requirement Funded	*–*	*92%*	*92%*

Also refer to Appendix B for more information:	Table
Operation and Maintenance, Navy	B-6
Operation and Maintenance, Navy Reserve	B-8

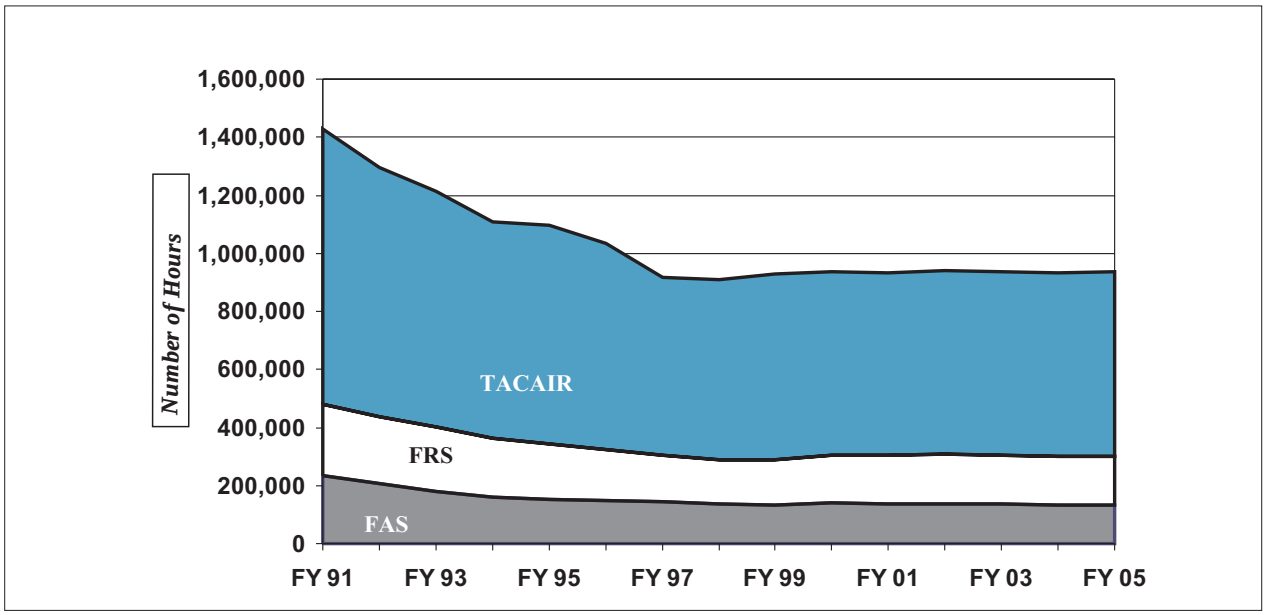
AIR OPERATIONS

Tactical Air Forces

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training. Tactical air squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the national military strategy, and provide long range and local protection against airborne and surface threats. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics support. In Fleet Air Training the Fleet Readiness Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

While there was no change in the number of squadrons as a result of the Quadrennial Defense Review, aircraft force structure adjustments initiated in FY 1998 reduced the number of aircraft per squadron. The total number of active aircraft will decrease from 2,526 in FY 1998 to 2,456 in FY 2000.

Chart 5 - Flying Hour Program



TACAIR flying hours decline steeply until FY 1997, and then are budgeted to remain relatively constant.

Reserve Air Forces

Reserve aviation has expanded its role by accepting more missions from the active force. The Reserves provide all of the Navy's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Naval Reserve also provides support to the active force through participation in various exercises and mine warfare missions. These varied missions demonstrate the Navy's effort to employ Reserve Forces to meet operational requirements. In FY 2000, one Reserve patrol wing will be decommissioned.

Table 5 reflects active and reserve aircraft force structure.

Table 5
Department of the Navy
Aircraft Force Structure

	FY 1998	FY 1999	FY 2000
Air Forces - Active	***18***	***18***	***18***
Navy Carrier Air Wings	*10*	*10*	*10*
Marine Air Wings	*3*	*3*	*3*
Patrol Wings	*3*	*3*	*3*
Helicopter Anti-Submarine Light Wings	*2*	*2*	*2*
Naval Reserve Air Forces	***6***	***6***	***5***
Tactical Air Wings (Navy Reserve)	*1*	*1*	*1*
Reserve Patrol/ASW Air Wings	*2*	*2*	*1*
Reserve Helicopter Air Wing	*1*	*1*	*1*
Reserve Logistics Air Wing	*1*	*1*	*1*
Air Wing (Marine Reserve)	*1*	*1*	*1*
Primary Authorized Aircraft - Active [1/]	***2,526***	***2,494***	***2,456***
Navy	*1,465*	*1,456*	*1,439*
Marine Corps	*1,061*	*1,038*	*1,017*
Primary Authorized Aircraft - Reserve	***444***	***435***	***417***
Navy	*259*	*250*	*232*
Marine Corps	*185*	*185*	*185*

1/ Does not include trainer or TACAMO aircraft.

Aircraft OPTEMPO

The FY 2000 budget for the active aircraft flying hour program will provide the funds necessary to achieve the Department's goal of 85% Primary Mission Readiness (PMR) to train and maintain qualified aircrews in the primary mission of their assigned aircraft. This level of operation is essential to meet the objective of maintaining ready Naval Aviation units capable of performing a variety of military missions, including joint operations in support of emergent conflicts as well as ongoing peacekeeping operations. The Flying Hour Program has been priced using the most recent FY 1998 cost per hour experience including higher costs for spares and repair parts and also includes $95 million specifically added in FY 2000 to eliminate an existing backlog of spare parts. Significant increases have also been budgeted in the Aviation procurement spares account to improve readiness and sustainability of Naval Air forces, especially among non-deployed units. Contingency operations are budgeted for Southwest Asia and Bosnia in FY 2000 in the Overseas Contingency Operations Transfer Fund and are not reflected in the Department of the Navy budget. This operational tempo (OPTEMPO) supports ten active carrier wings and three active Marine Corps air wings. Consistent with recent execution experience, Fleet Readiness Squadrons operations are budgeted at 90% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew maintenance personnel rotation rates and student output from the Undergraduate Pilot/NFO training program. Fleet Air Support requirements correlate with TACAIR operational requirements. Naval Reserve PMR remains budgeted at 87% in FY 2000. Table 6 displays active and reserve flying hour readiness indicators.

Respond to the full spectrum of crises

Table 6
Department of the Navy

Flying Hour Program	***FY 1998***	***FY 1999***	***FY 2000***
Active			
TACAIR Primary Mission Readiness (%) 1/	*80%*	*85%*	*85%*
Fleet Readiness Squadrons (%)	*88%*	*90%*	*90%*
Fleet Air Support (%)	*87%*	*82%*	*84%*
Monthly Flying Hours per Crew (USN & USMC)	*20.2*	*22.1*	*22.3*
1/ Includes 2% simulator contribution			
Reserve			
Primary Mission Readiness (%) 1/	*87%*	*87%*	*87%*
Monthly Flying Hours per Crew (USNR & USMCR)	*11.0*	*11.0*	*11.0*
1/ Includes 0.25% simulator contribution			

Aircraft Depot Maintenance

The Active and Reserve Aircraft Depot Maintenance program funds major repair and overhauls, within available capacity, to ensure that sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine maintenance requirements is based on squadron inventory authorization necessary to execute assigned Active and Reserve missions. The model manages depot maintenance output so that the Department can determine the level of resources necessary, within existing inventory, to provide enough airframes to meet full Primary Authorized Aircraft (PAA) for deployed squadrons and no more than 10% below PAA for non-deployed squadrons. Sufficient resources have been budgeted to achieve the readiness goal for deployed squadrons, and 97% of active and reserve non-deployed squadrons are funded to meet the goal by the end of FY 2000. Through the increased funding levels approved by the Administration, the Department expects to meet the goal by FY 2001. The funding decrease in the airframe program reflects the prediction that fewer airframes will need depot repair and the average cost per unit is expected to be less due to changes in the mix of aircraft being repaired. The amount of funding in the engine rework program is sufficient to accommodate projected throughput demand and reduce the number of backlogged engines.

Maintain ready forces ...

Tables 7a and 7b summarize Active and Reserve Aircraft Depot Maintenance.

Table 7a
Department of the Navy
Active Forces Aircraft Depot Maintenance
(Dollars in Millions)

	FY 1998	FY 1999	FY 2000
Airframes	*$550.7*	*$549.3*	*$488.1*
Engines	*182.5*	*218.6*	*227.2*
Components	*35.9*	*36.7*	*31.6*
Total: Active Aircraft Depot Maintenance	***$769.1***	***$804.6***	***$746.9***
Deployed Squadrons meeting goal	*173*	*171*	*169*
Deployed Squadrons not meeting goal	*0*	*0*	*0*
Non-Deployed Squadrons meeting goal	*163*	*170*	*175*
Non-Deployed Squadrons not meeting goal	*18*	*12*	*8*
Engine Throughput	*1,048*	*1,129*	*1,106*
Engines Backlogged	*354*	*291*	*253*

Table 7b
Reserve Forces Aircraft Depot Maintenance
(Dollars in Millions)

	FY 1998	FY 1999	FY 2000
Airframes	*$46.9*	*$90.8*	*$70.6*
Engines	*17.1*	*27.4*	*33.1*
Components	*.7*	*.4*	*.4*
Total : Reserve Aircraft Depot Maintenance	***$64.7***	***$118.6***	***$104.1***
Non-Deployed Squadrons meeting goal	*51*	*50*	*50*
Non-Deployed Squadrons not meeting goal	*0*	*0*	*0*
Engine Throughput	*106*	*176*	*222*
Engines Backlogged	*102*	*110*	*51*

Also refer to Appendix B for more information:	Table
Operation and Maintenance, Navy	B-6
Operation and Maintenance, Navy Reserve	B-8

MARINE CORPS OPERATIONS

Marine Corps

This budget supports a Fleet Marine Force (FMF) of three active Marine Expeditionary Forces (MEF). Each MEF is comprised of a headquarters command element, one ground division, one airwing, and one force service support group.

Despite lower funding levels, the budget includes an acceptable level of support for the Operating Forces of the Marine Corps, to include continuation of the fielding of improved equipment for the individual Marine. The budget reflects savings in FY 2000 associated with operational efficiencies; maintains an acceptable level of depot maintenance unfunded backlog of approximately $37 million in FY 2000; fully finances requirements for recruit training, initial skill training and follow-on training courses and continues to support recruit accession goals. This budget also continues the effort to reduce the training pipeline and increase manpower strength in the FMF through the Distributed Learning program. A reprogramming of $54.9 million from the Military Personnel, Marine Corps appropriation to fund critical readiness issues in the O&M,MC appropriation is planned during FY 1999.

... ensure necessary training

Table 8 displays Marine Corps land forces.

Table 8
Department of the Navy
Marine Corps Land Forces

	FY 1998	FY 1999	FY 2000
Number of Marine Expeditionary Forces	*3*	*3*	*3*
Number of Battalions	*69*	*69*	*69*

Marine Corps Reserve Operations

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group and the Marine Corps Reserve Support Command.

The budget reflects Reserve Force Structure Review Group realignments, providing support costs for Reserve end-strength. The budget also continues increased funding for environmental programs and for provision of initial issue equipment.

Also refer to Appendix B for more information:	Table
Operation and Maintenance, Marine Corps	B-7
Operation and Maintenance, Marine Corps Reserve	B-9

PEOPLE

America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. Developing and retaining quality people are so vital to our continued success and are among the Department's biggest challenges. Meeting these challenges is essential to long-term effectiveness. It is with this in mind that we must continue to put a premium on recruiting, retaining, and training the best people our country has to offer.

The Department of the Navy is continuing to improve the quality-of-life of its personnel consistent with the Secretary of the Navy's priorities for the future. The quality of our forces depends on the quality of our military personnel. The men and women who comprise today's all-volunteer military are of the highest caliber, and we must continue to strive to attract and maintain this effective force. Attention to personnel tempo demands is essential. An important element of our policy is to provide our people with a quality-of-life commensurate with the sacrifices we ask them to make.

... maintain highly skilled and motivated people

Navy Personnel Tempo	*FY 1998*	*FY 1999*	*FY 2000*
Units Not Meeting Personnel Tempo Goal	*2*	*0*	*0*

Note: The navy uses a combination metric for personnel tempo. To meet the goal, a unit must deploy for not more than six months at a time, spend twice as much time nondeployed as deployed, and spend 50 percent of its time in home port over a five-year cycle.

Marine Corps Deployment Tempo	*FY 1998*	*FY 1999*	*FY 2000*
Units Deployed more than 180 Days per Year Over a 36-month Schedule Period	*1*	*0*	*0*

Military Personnel budget estimates include an across the board pay raise of 4.4% effective on January 1, 2000, an additional targeted raise (pay table reform) ranging from 0 to 5.5% effective on July 1, 2000, and repeal of the Redux Retirement System. We also continue to provide adequate funding in areas such as housing, community and family support, transition assistance, and morale and recreation activities. Recognizing the aging and substandard housing currently in the Department's inventory, the budget focus is to replace or improve antiquated and unserviceable housing units using privatization authorities where possible. The FY 2000 budget includes funds for 329 new and replacement housing units; construction of 12 Bachelor Enlisted Quarters in CONUS, 1 in Hawaii and 2 overseas; and construction of 3 Fitness Centers. As the Navy begins privatizing family housing units, resources have been transferred from the Family Housing appropriation into both the DOD Family Housing

Improvement Program to fund Public Private Ventures and to the Military Personnel appropriations to provide housing allowances for a greater number of military members to use in the private sector.

Navy

This budget reflects the Navy's effort to improve its recruiting and retention rates in order to meet budgeted end strength levels. Due to the nation's strong economy, the Navy has experienced great difficulty in recruiting the required number of personnel. The strong economy has also increased demand by the private sector for employees with special technical skills and has managed to attract enlisted personnel into its work pool. This has impacted the Navy's ability to retain sailors in some critical skill areas. This budget reflects positive steps to address these manning challenges. The Navy has made a conscious effort to rebalance recruiting and retention programs such as Selective Reenlistment Bonus (SRB), Enlistment Bonus (EB), and Navy College Fund (NCF) in order to achieve the optimal mix of resources. Also, in light of the lift by Congress of the 10% cap on SRB payments, increased funding for SRBs may be needed during execution of the FY 1999 budget. We have also included funding to stabilize the production recruiter force at 4,500 and to maintain an increased level of advertising. We believe this resource rebalance will allow the Navy to fully execute budgeted end strength levels and ensure the proper combination of grade, skill, and experience in the force.

In view of the fact that the force level recommended during the Quadrennial Defense Review will be achieved in FY 2003, and the fact

Chart 6 - Active Military Personnel End Strength

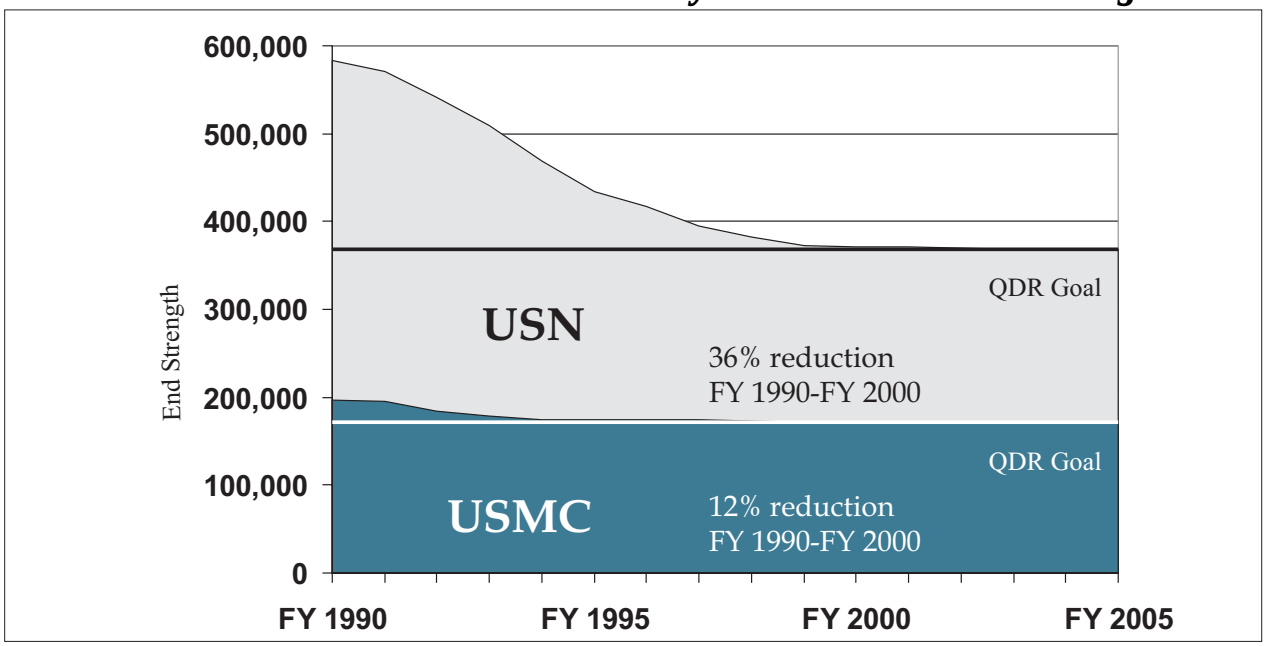


Chart 6 graphically displays Military Personnel reductions through FY 2005.

that the majority of the downsizing has already occurred, the Navy has placed emphasis in this submission on a number of Smart Work initiatives designed to provide the most efficient and effective application of manpower resources in a steady state environment. For example, to improve recruiting accessions and fleet readiness, the General Detail (GENDET) Targeted Enlistment program has been instituted to increase the number of new recruits who will perform a period of general detail service with a guaranteed follow-on 'A' school. To improve retention, the Department has instituted several manpower initiatives to assign transient members to the Fleet units during the period they are awaiting school or their next duty assignment. This will provide improvements in fleet manning, reduce attrition, improve motivation, and foster a more efficient training pipeline. In addition, the Navy has increased long-term advancement opportunities to improve retention in undermanned or critical ratings and included funding for several legislative proposals to address the retention challenges in the unrestricted communities of aviation, submarine warfare, and surface warfare. For example, this budget submission includes funding for Surface Warfare Officer Continuation Pay intended to increase retention at the department head level by offering a bonus to officers with 4 to 10 years of commissioned service; and Special Warfare Officer Incentive pay will be offered to increase retention by offering a new bonus to officers with 6 to 15 years of commissioned service. Furthermore, investments in training system modernization, primarily in advanced electronic classrooms, will also reduce attrition while reducing time to train and increasing the capacity at 'A' schools.

The Navy's primary focus continues to be maximum readiness through selective retention of qualified and experienced personnel. The budget reflects the resource mix to ensure attainment of this goal. Table 9 provide summary personnel end strength data for Military Personnel, Navy.

Table 9
Department of the Navy
Active Navy Personnel

	FY 1998	***FY 1999***	***FY 2000***
Officers	*54,999*	*54,147*	*53,587*
Enlisted	*323,120*	*314,208*	*314,194*
Midshipmen	*4,219*	*4,000*	*4,000*
Total: End Strength	***382,338***	***372,355***	***371,781***
Accessions	*47,907*	*51,844*	*56,042*
Reenlistments	*36,521*	*35,465*	*37,502*
Enlisted Retention Rates			
First Term	*30.5%*	*32.0%*	*33.5%*
Second Term	*46.3%*	*48.0%*	*49.5%*
Enlisted accessions			
Percent High School Diploma Graduates	*95%*	*90%*	*90%*
Percent above average Armed Forces Qualification Test	*64%*	*62%*	*62%*

Marine Corps

This budget fully funds an end strength of 172,148 in FY 2000. Through an aggressive study of business practices, the Marine Corps has achieved efficiencies in training pipeline and support structure. This has resulted in a modest active duty end strength reduction. Savings generated have been applied to modernization requirements. A reprogramming of $54.9 million from the Military Personnel, Marine Corps appropriation to fund critical readiness issues in the O&M,MC account is planned during FY 1999.

Table10 provide summary personnel end strength data for Military Personnel, Marine Corps.

Table 10
Department of the Navy
Active Marine Corps Personnel

	FY 1998	FY 1999	FY 2000
Officers	*17,892*	*17,878*	*17,850*
Enlisted	*155,250*	*154,322*	*154,298*
Total: End Strength	***173,142***	***172,200***	***172,148***
Accessions	*34,015*	*34,351*	*34,086*
Reenlistments	*14,947*	*14,302*	*12,888*
Enlisted Retention Rates			
First Term	*21.6%*	*23.0%*	*23.0%*
Enlisted accessions			
Percent High School Diploma Graduates	*96%*	*95%*	*95%*
Percent above average Armed Forces Qualification Test	*66%*	*63%*	*63%*

Also refer to Appendix B for more information:	Table
Military Personnel, Navy	B-2
Military Personnel, Marine Corps	B-3

Naval Reserve

This budget supports a Naval Reserve end strength of 90,288 in FY 2000, providing pay and allowances for drilling Navy Reserve personnel attached to specific units and Full Time Support personnel. The Department remains committed to increasing use of the Naval Reserve in the Total Force. To that end, this budget provides for extensive contributory support of the active forces in addition to the roles and missions specifically assigned to reserve units. Examples of contributory support include participation in contingency operations, intelligence support, fleet exercises/deployments, air logistics operations, counterdrug missions, mine and inshore undersea warfare and extensive medical support of the active forces.

One of the means by which the Naval Reserve provides contributory support to the active component is through Annual Training (AT). There is mounting evidence that the historically budgeted enlisted AT participation rate of 81% does not afford all eligible Naval Reservists the opportunity to perform AT. As a result of AT funding provided in the FY 1998 Emergency Supplemental, the Navy demonstrated that a level higher than 81% can be executed. Therefore, this budget provides the necessary funding to increase the budgeted AT participation rate for enlisted drilling Reservists to 87% beginning in FY 2000.

Naval Reserve end strength continues to decline until attaining the force levels recommended in the Quadrennial Defense Review at the end of FY 2003.

Table 11 provides end strength data for the Reserve Personnel, Navy account.

Table 11
Department of the Navy
Reserve Navy Personnel

	FY 1998	FY 1999	FY 2000
Selected Navy Reserves	*76,752*	*75,253*	*75,278*
Fulltime Support	*16,419*	*15,590*	*15,010*
Total: End Strength	***93,171***	***90,843***	***90,288***

Marine Corps Reserve

This budget supports a Marine Corps Reserve end strength of 39,624 in FY 2000. This end strength will ensure availability of trained units to augment and reinforce the active forces, as well as providing for a Marine Air-Ground Task Force Headquarters and Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling reservists attached to specific units, for Individual Mobilization Augmentees (IMA's), for personnel in the training pipeline, and for full-time Active Reserve personnel. This past year, the Marines Corps convened a Reserve Force Structure Review Group (RFSRG) which was tasked to review notional QDR structure. The RFSRG adjusted the total force of reservists to create a more effective component. The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis requirements.

Table 12 provides end strength data for the Reserve Personnel, Marine Corps account.

Chart 7 - Reserve Military Personnel End Strength

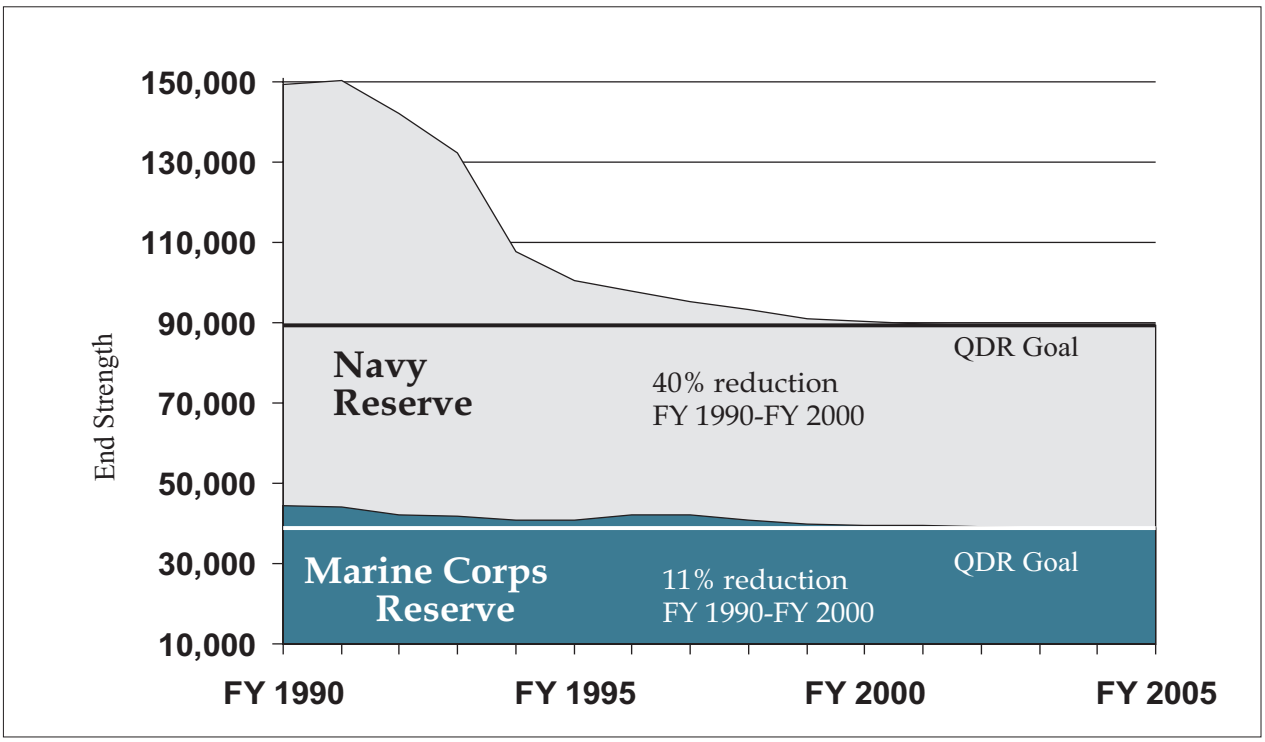


Chart 7 graphically reflects Naval and Marine Corps Reserve personnel reductions from FY 1990 through FY 2005.

Table 12
Department of the Navy
Reserve Marine Corps Personnel

	FY 1998	FY 1999	FY 2000
Selected Marine Corps Reserves	*38,483*	*37,656*	*37,352*
Full Time Support	*2,359*	*2,310*	*2,272*
Total: End Strength	***40,842***	***39,966***	***39,624***

Also refer to Appendix B for more information:

	Table
Reserve Personnel, Navy	B-4
Reserve Personnel, Marine Corps	B-9